

EXHIBIT 325

GOVERNMENT OF
THE VIRGIN ISLANDS OF THE UNITED STATES

ECONOMIC DEVELOPMENT COMMISSION

PUBLIC HEARING

THURSDAY, November 15, 2012
12:43 p.m. to 2:32 p.m.

Port Authority Conference Room
St. Thomas, Virgin Islands

MEMBERS PRESENT

ALBERT BRYAN, Chairman
NATHAN SIMMONDS, Vice Chairman
LYNN MILLIN MADURO, ESQ., Member
RANDOLPH ALLEN, Member
JOSE PENN, Member

STAFF PRESENT

PERCIVAL CLOUDEN, CEO
JENNIFER NUGENT-HILL, ACEO
HENRY SMOCK, ESQ., Legal Counsel
FRED HANDLEMAN, ESQ., Director of Legislative
& Legal Affairs
MARGARITA BENJAMIN, Director of Applications
STEPHANIE BERRY, Director of Compliance
BETH HOFFMAN, ESQ., Investigator
SEMELE GEORGE, Public Relations
DORENE LEWIS, Board Liaison

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I N D E X

<u>ITEM</u>	<u>DESCRIPTION</u>	<u>PAGE</u>
No. 1	Meeting Called to Order	3
No. 2	Roll Call	3
No. 3	Review and Approval of Agenda	4
No. 4	Cases for Public Hearing	
	a. Southern Trust Company, Inc.	6
	b. DIAM Management	41
	c. Asset Recovery Management, Inc.	65

(Hearing Adjourned.)

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1 PROCEEDINGS

2 THE CHAIR: Good morning. I'd like
3 to call to order the Economic Development Commission Public
4 Hearing.

5 Can I have a roll call, please?

6 MR. PENN: Commissioner Bryan.

7 THE CHAIR: Present.

8 MR. PENN: Commissioner Simmonds.

9 MR. SIMMONDS: Here.

10 THE CHAIR: Commissioner Allen.

11 MR. ALLEN: Here.

12 MR. PENN: Commissioner Penn,
13 present.

14 Commissioner Smith.

15 THE CHAIR: Excused.

16 MR. PENN: Commissioner Millin
17 Maduro.

18 THE CHAIR: Late.

19 MR. PENN: Mr. Chair, you have four
20 members present.

21 THE CHAIR: Having established a
22 quorum are there any changes to the agenda?

23 MS. HILL: Mr. Chairman, good
24 afternoon. I'd like to thank all of the board members for
25 being here. I'd like to acknowledge the presence of the

1 staff that's here relating to the EDC Public Hearing and to
2 introduce starting with introducing our new Director of
3 Compliance, Miss Stephanie Berry. And we'd like to welcome
4 her to the team. And she is bringing to the table a great
5 deal of skills and we look forward to her adding to the EDC
6 program with a very varied background that she brings. She
7 is a Ph.D. candidate in industrial psychology and management
8 and is quite familiar with the government processes. So we
9 want to welcome our new Director of Compliance and to also
10 acknowledge -- I know that my counsels have all been
11 introduced to her by e-mail. Welcome, Stephanie Berry.

12 Attorney Smock is here, Counsel to the Board,
13 Attorney Beth Hoffman, our investigator, and our Public
14 Relations representative, Semele George, and of course our
15 Executive Assistant to the Board is with us today. We are
16 happy that she's here. She's feeling better. Glad that you
17 are here.

18 And, Mr. Chairman, in response to your question
19 with regards to changes on the agenda, the agenda as is
20 presented to you is as it is. The original document you had
21 in your drop box were amended because counsels have all
22 agreed, Counsel Erika Kellerhals and Attorney Roberts agreed
23 to shift their clients presentations. So we will start with
24 Asset Management, sir, as you deem appropriate.

25 THE CHAIR: Asset that's what's on

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1 the agenda.

2 MS. KELLERHALS: I think we are going to
3 go first, Southern Trust.

4 MS. ROBERTS: I thought we had
5 agreed --

6 MS. HILL: You are going to go
7 first?

8 MS. KELLERHALS: Yes.

9 MS. HILL: That's right. I
10 apologize. You did say that.

11 MS. ROBERTS: And we would like DIAM
12 to go before Asset Recovery.

13 MS. HILL: That's the reorder of
14 the agenda. Thank you.

15 MR. PENN: Mr. Chair, I'd like to
16 move that the agenda be amended that Southern Trust
17 Management Company be the first item for public hearing to
18 be followed by DIAM Management, Inc. and then Asset Recovery
19 Management, Inc. So moved, Mr. Chair.

20 THE CHAIR: Second?

21 MR. ALLEN: Second.

22 THE CHAIR: Properly moved and
23 seconded. All those in favor?

24 (Chorus of Ayes)

25 THE CHAIR: Opposed?

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1 (No Response)

2 THE CHAIR: Abstention?

3 (No Response)

4 THE CHAIR: Motion carries.

5 Motion to accept the agenda as amended.

6 MR. PENN: So moved, Mr. Chair.

7 THE CHAIR: Second?

8 MR. SIMMONDS: Second.

9 THE CHAIR: Properly moved and
10 seconded. All those in favor?

11 (Chorus of Ayes)

12 THE CHAIR: Opposed?

13 (No Response)

14 THE CHAIR: Abstentions?

15 (No Response)

16 THE CHAIR: The agenda stands
17 approved.

18 Cases for Public Hearing, Southern Trust Company.

19 Who speaks to this matter?

20 MS. KELLERHALS: I do.

21 THE CHAIR: Mr. Smock, could you
22 swear in the testifiers?

23
24 (Thereupon Erika Kellerhals, Esq. and Jeffrey
25 Epstein were duly sworn in by Attorney Smock.)

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1 MS. KELLERHALS: Good afternoon,
2 Chairman, Commissioners and Staff. I appreciate the
3 opportunity to come before you today and speak with you
4 regarding my client, Southern Trust Company, Inc.
5 I'm here today with Mr. Jeffrey Epstein who is
6 the President of Southern Trust. And after a brief
7 introduction covering the business and its compliance with
8 the statutory requirements of the EDC program, I'm going to
9 turn the floor over to Mr. Epstein and he will talk to you a
10 little bit about the new business model.
11 Southern Trust, which will be located on the
12 Island of St. Thomas is applying for benefits under Category
13 IIa as a designated service business. And once it gets up
14 and running it will provide cutting edge consulting services
15 to companies around the world lying in part upon the use of
16 biomedical and financial informatics. The client base for
17 this company is going to range from individual consumers to
18 scientist, to investment companies looking to create new
19 strategies using what's called mine information. I want to
20 get a few housekeeping out of the way and on the record
21 before Mr. Epstein explains to you exactly what it is they
22 are going to be doing.
23 Southern Trust is going to meet all the statutory
24 requirements including that with respect to capital
25 investment. In fact Southern Trust has indicated in their

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1 application will exceed the statutory investment requirement
2 of \$100,000.00.

3 We've also set out a detailed employee benefit
4 plan. And one of the things that's noted about the plan
5 itself is in addition to providing generous lead packages,
6 life insurance and a donated leave program, the company
7 actually includes one hundred percent employee and dependent
8 coverage for health insurance. So the company will absorb
9 the cost of all health insurance. And they have agreed to a
10 minimum \$50,000.00 per year charitable contribution in
11 addition to the mandatory contributions to the Territorial
12 Scholarship Fund and the Department of Labor database. And
13 those of you who know Mr. Epstein he has been a long-term
14 resident of the Virgin Islands know that he has given
15 generously over the course of the last 11 years to various
16 charities in the Virgin Islands.

17 We did request as part of the application a
18 waiver of the employee requirement for the first five years
19 down to five employees. There were a couple of different
20 reasons for doing that. One is as Mr. Epstein explains and
21 as we explained in the application, there are some very
22 specialized job positions needed by virtue of the business
23 model and what the business itself would be doing. And it's
24 anticipated that getting to maximum capacity and finding the
25 right employees will take a significant period of time. And

1 as a result of asking for that waiver of the employment
2 requirement down to five, we are also asking that the
3 percentage residency requirement also be amended from 80
4 percent to 50 percent for the first five years.

5 I'm now going to turn the floor over to Mr.
6 Epstein and he can talk to you a little bit about his
7 background in this business in particular.

8 MR. EPSTEIN: Thank you.

9 What's happening in today's environment is the
10 fact that most everyone here has a computer in front of
11 them. Most of the time if you look back 25 years if you
12 wanted to know whose genetics determined your current
13 circumstance, if you wanted to get financial advice, if you
14 wanted to get medical advice you would go to one doctor.
15 You would, hopefully, choose the right doctor and he would
16 according to his experience say, fine, maybe you have a
17 stomach ache and we have in response to your problems three
18 or four solutions.

19 In fact if you were going to go into the Army
20 years ago they classified your health like only five
21 categories. Were you sort of very healthy, healthy or were
22 you F-4. Everything was very general and very broad
23 categories.

24 As you all are aware everything nowadays has
25 become personalized. You have your clothes that you wear

1 can be custom made. Everyone has many options on how to set
2 up their computers. What's happening in the world is that
3 many decisions that used to be made by one single individual
4 now it's impossible to get accurate information without
5 accessing vast numbers of databases. What Southern Trust
6 will do will be basically organizing mathematical algorithms
7 so that if I want to know what my predisposition is for
8 cancer we can now have my genes specifically sequenced.

9 Unfortunately, it hit home as of yesterday for me
10 exactly what my company does. One of my closest friends was
11 diagnosed two days ago with a terminal cancer. Now he's at
12 the best hospital. I've known him since I was six years
13 old. His tumor needs to be sequenced. We will spend time
14 going through the DNA of his exact tumor.

15 Now that was the first step that's available
16 today. It hasn't been available ever before. But that's
17 only the first step. Now we know specifically what type of
18 cancer he has.

19 In the past unless you are lucky enough to have
20 the right doctor when you went to diagnose that problem and
21 he can say, well, Jose or Albert I've seen this before and
22 you were out of luck. Now what we'll do is we'll use this
23 one sequence, his own DNA and the specific problem he has
24 with his cancer and access worldwide databases of every
25 drug, every single drug across the world that's been tested

1 on all different types of cancers that specifically have his
2 DNA sequence involved. So the chances of a successful
3 treatment are now viable where before as he said last night
4 he would be dead in four weeks.

5 So as of medical advance you are able for the
6 first time to have custom made medicine but you can't do
7 that without accessing a vast database of information. Even
8 if you are the best doctor in New York or California or
9 here, you can only read what you can read. You have 24
10 hours a day. The new sequences in biomedicine will allow
11 you to access every publication that affects your area and
12 you don't have time to read it.

13 So my company's algorithms will in fact digest
14 the information as best as they can currently and then spit
15 out its recommendations. So you'll have computer generated
16 solutions for medical problems, which is the next century's
17 work on how to get people healthy.

18 My real business has always been money. People
19 want to know which companies to invest in and you might have
20 been lucky enough -- I was poor but if your parents had any
21 money and they wanted to simply find the stock to buy or how
22 to invest their money, again they had to find a stockbroker
23 or a local banker or someone they could go to and ask their
24 advice. And that one person's advice was only as good as
25 the college they went to or their experience in the

1 business.

2 Now, just as I -- with my friend or as a simple
3 example years ago if you had asked me what is the name of
4 George Washington's horse? I lived in Coney Island. George
5 Washington's horse, okay, what would I have to do? I'd have
6 to get on the bus and go to the library. I'd have to ask
7 the librarian for a book on George Washington. Hopefully,
8 somewhere in the appendix would be a note that said George
9 Washington's horse or otherwise I was in trouble. I'd have
10 to actually read the book.

11 I would then go back, make a report, come to my
12 school. And as you all know right now we go to Goggle and
13 in a nanosecond Goggle searches 10 billion documents for the
14 names of George Washington's horse. And you can find out
15 what the horse ate for breakfast on a certain day.

16 So my company will then take the concept of
17 building these search algorithms but not searching the
18 information for the name of George Washington's horse but in
19 fact searching the world's databases for what is the best
20 investments. I can't spend 24 hours a day going through all
21 the investments around the world but my computer can do it
22 in a nanosecond.

23 Unbeknownst to most people today again when I
24 first started on Wall Street I was a school teacher. The
25 stock exchange traded a couple of million shares per day and

1 that was a big -- and if you had a 100 million shares a day
2 it was a calamity. Now everyday, every minute those numbers
3 of shares are traded but not by people. Seventy-Five or
4 Eighty percent of all the trading around the world -- when I
5 say trading, all the statistics you read about how many
6 shares traded today is done by a computer. In fact some of
7 the computers trade thousands of times per second buying and
8 selling at small increments.

9 So the speed at which decisions are made you have
10 speed by computers but you need a search engine, just like
11 Goggle has a search engine for documents, a method to search
12 the financial arena for the best investments in my financial
13 arm of Southern Trust and the best medicine. So again if it
14 was me personally -- this again it hits very close to home.
15 I'm leaving for New York after this meeting to go sit with
16 the sequencers to see if I can save my friend. And this is
17 the first time in history that it's probably a chance
18 because most people don't know when they say you have lung
19 cancer, cancer is not really a thing. It's not like -- you
20 see we used to -- the past 30 years we know we had a
21 disease. You had the flu or you had some type of liver
22 disorder. Cancer is very different. Cancer is not a thing.
23 It's a process. It's a process.

24 What do I mean by that? It doesn't mean I have
25 something in my lung that has a little "C" that says cancer.

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1 It means that my lung is doing something. It is a process.
2 It is cancering. My lung is cancering or my prostate is
3 cancering. In my friend's case his brain, bones and liver
4 are cancering.

5 So in the past -- unfortunately anyone diagnosed
6 with a disease for lung cancer you could only treat them
7 with a lung cancer approved drug. Like I have a breast care
8 center in New York. So now it turns out that many females
9 for breast care you can treat it with things that were only
10 used before for prostate. And the only way they got to that
11 is they realized that in certain studies in the Netherlands
12 just by these search engines there had been good results
13 based on the computers being able to search the database,
14 the solutions for specific types of problems.

15 Why the Virgin Islands? Again we have high speed
16 connections in St. Croix. So I have to beg both servers to
17 hold my database information. The high level people that
18 Erika mentioned is I need high level mathematicians to come
19 down and help program the computers. Some people actually
20 have to be here and monitor the computers. And these
21 algorithms -- it's amazing but true -- much of the work
22 hopefully to be done later in life.

23 So that five, ten years away is the computers
24 themselves will help redesign some of the computer programs.
25 Just like in the cars we first built some computers to help

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1 us manufacture cars. Now the computers are helping to
2 design. They in fact design their own little parts.

3 In the new version you can actually printout just
4 like a fax machine started 20 years ago, you could have the
5 computer design the part and make it. It actually prints
6 parts. So Southern Trust will be basically building up a
7 database searching mechanism to search things on an
8 individual basis both in the medical field and the financial
9 field.

10 Again it's an exciting area that the idea is that
11 the diseases that affect the local population -- I do lots
12 of work in Africa. To backup Africa is for me a fertile
13 ground for experimentation because it has been so
14 underdeveloped it is not burdened with the current system.
15 What do I mean?

16 When telephone companies now come to places like
17 Senegal where I was a couple of months ago, they don't put
18 copper in the ground. They don't have to worry about laying
19 cables and going to everyone's house. They leapfrog the old
20 systems going directly to cellular.

21 So though Senegal and Ivory Coast are poor
22 countries, 70 percent of the people have cell phones because
23 they were able to not deal with the local in-breaded
24 telephone companies who had to charge a ridiculous sense of
25 money because they had already laid all this pipe and copper

1 in the ground. The same thing here, Africa has almost no
2 medicine. It's difficult. But with searching as opposed to
3 testing people everyone is not the same, not everyone needs
4 an aspirin and not everyone needs the same aspirin or the
5 same amount of aspirin. The idea would be to build up a
6 personal medical database for lots of people.

7 That's it. And ask as many questions about the
8 subject. I enjoy it.

9 MR. SIMMONDS: Good afternoon. I get
10 the financial part. I mean you got a billion dollars to
11 invest. You search for the best investments and you invest
12 other people's money.

13 The medical part I'm not sure I get as yet. I
14 mean I'm not going to ask you how much something like that
15 would cost because it sounds like it would be really
16 expensive. But who are you catering too? I mean people are
17 going to come to you and say, you know what, I have an
18 ailment. I need you to search and see if there is a cure.

19 MR. EPSTEIN: No, it's the drug
20 companies. To develop a new drug now cost a billion dollars
21 because you sort of start from scratch and it's really like
22 trial and error in your backyard, trying to figure out which
23 piece fits in this screw. So the drug companies spend the
24 first five years testing all the different parts to see if
25 it will work on this drug -- on this disease. The drug

1 companies would much rather have my computer do the trials
2 and errors.

3 MR. SIMMONDS: But you are not testing
4 anything. You are basically just searching for already
5 tested products.

6 MR. EPSTEIN: The algorithms
7 themselves will be almost like a chemistry lab in the
8 computer. In the old days when you had to test for
9 something you had to actually build it to see if it would
10 work. When the Wright Brothers built their airplane they
11 flew it and it crashed. They flew it and that's when they
12 changed the wing.

13 And now what you do is you design it in the
14 computer. The computer inside all the new space ships are
15 all designed by saying here is the wind, here is the gravity
16 and the product comes out at the end. So there is big drug
17 companies that want to know what's the most likely pathway
18 to hit this type of disease.

19 MR. SIMMONDS: Why would it take five
20 years before local folks could be trained in doing this sort
21 of --

22 MR. EPSTEIN: It won't take five. It
23 will be growing simultaneously because the mathematics it's
24 like the new programs. For example, the last Windows
25 program that came out last week, Windows 8, took 600 people

1 six years to do. Now it's not that many people but you need
2 high level programmers.

3 So I would like to have young people -- I'm a
4 teacher by heart -- engaged early on. But the programming
5 initially will take time to get up and running and been
6 testing it until it sort of becomes a model for its
7 performance.

8 MR. SIMMONDS: Thank you.

9 THE CHAIR: Mr. Allen.

10 MR. ALLEN: Good afternoon, Mr.
11 Epstein. I've been listening to you quite intense.

12 You are asking for five years exemption and you
13 need instead of 80/20, you need 50/50. You know that's
14 going to take going back to the Legislature to change the
15 statute?

16 MS. KELLERHALS: We are aware that they
17 did bring in an amendment to go to the Legislature -- that
18 the Legislature actually passed legislation that would
19 reduce the number of employees to five. I understand that
20 it was vetoed by the Governor. But based upon my
21 discussions with the EDC staff it was my understanding that
22 at this time based on the circumstances of each applicant it
23 would be considered.

24 MR. ALLEN: That's the reason why
25 it's in this proposal?

1 MS. KELLERHALS: It's in the proposal in
2 part because it fits the business model better. It allows
3 them as Mr. Epstein explained there is that ramp up while
4 they are getting the programs together.

5 MR. EPSTEIN: I much rather it be
6 shorter frankly.

7 MR. ALLEN: You much rather it be
8 shorter?

9 MR. EPSTEIN: Sorry. I would like to
10 get it done as fast as possible.

11 MR. ALLEN: Yes, I understand that.
12 But some of the computer models that you discussed it's so
13 way out. Is this your thinking or this is something that is
14 on the market that you are trying to tap into?

15 MR. EPSTEIN: I am not a mad man. So
16 it might appear that way.

17 MR. ALLEN: No, I'm just asking if
18 this is your thought brand new or there is something out
19 there that you are trying to bring it here.

20 MR. EPSTEIN: Both. There are
21 products just beginning. They have not yet been fully
22 developed. Database mining is a very -- product is probably
23 the wrong word. The database mining which mining means as
24 in the past you got to dig into the ground. Here the
25 concept of database mining is very well established but not

1 in these two areas.

2 Normally, for example, as you know when you go in
3 your computer it might target you for a specific type of
4 advertisement because it knows that after you've been
5 searching for French fries. So they mine all the people in
6 the area who is looking for French fries and said, you know,
7 Randolph seems to like that. So we'll send him a message.

8 So the concept itself is very well established,
9 using the medical really the next couple of years.

10 MR. ALLEN: I have no more
11 questions.

12 THE CHAIR: How do you get around
13 all the proprietary medical information, though? I mean how
14 does that --

15 MR. EPSTEIN: Because you initially
16 start out -- most people they opt in or opt out. Sometimes
17 they, even for the first sequencing, potentially to answer
18 your question, when the human geno project is first begun a
19 question came in if they sequence my geno, my personal geno,
20 is that information tied to Jeffrey Epstein or will it be
21 anonymous? And everyone whose genes get sequenced has the
22 right to say I don't want my name associated with my gene
23 because maybe if I have something that's bad I might have a
24 rocker gene from a woman pre-deposing me to breast cancer I
25 won't get health insurance.

1 So the decision of having your name associated
2 with the sequence is your decision. However, the sequence
3 then goes into a big pile and says the person who had that
4 sequence was responsive to this drug. So there is no name
5 attached. So there is no privacy issue.

6 If it turns out that most people don't mind
7 having their names I was surprised. But most people say,
8 look, if I'm doing something good for society and it's
9 helpful you say, yes, I've had a problem and if I can help
10 others my name could be attached. That's a decision I would
11 make.

12 THE CHAIR: So it's a biomedical
13 Google that --

14 MR. EPSTEIN: Yes.

15 THE CHAIR: -- that tracks genes,
16 preference gene receptivity to different medications in
17 order to make doctors more efficient.

18 MR. EPSTEIN: Yes, and drugs more
19 efficient.

20 THE CHAIR: But how do you get paid?

21 MR. EPSTEIN: The drug companies
22 instead of having -- as I said imagine having your own
23 little chemistry lab in a computer as opposed to having a
24 thousand people. So they pay me for the algorithm.

25 THE CHAIR: So they pay you a

1 membership fee to access your server or they pay you for an
2 algorithm that you actually sell them instead?

3 MR. EPSTEIN: There will be just like
4 in any other product because there are different algorithms.
5 Some will be outright purchases, probably the simple ones.
6 There will be leases for longer runs and most people will be
7 coming back. Sometime if you want to know -- just like a
8 search engine in answer to one question. So you get paid
9 for that one piece of advice, ongoing advice or exclusive
10 rights like drug companies might want to have for a specific
11 answer.

12 THE CHAIR: And these mathematicians
13 build these algorithms to build themselves or they build
14 algorithms specifically for whatever question is posed
15 because I know you mentioned -- I still want to know why you
16 have a server here, though?

17 MR. EPSTEIN: I'd like to have
18 everything here for security purposes. As you know
19 everybody is hacking servers. The only way really
20 unfortunately to make sure you are secure is to have
21 location wise. Once you put your server --

22 THE CHAIR: So your server will be
23 more or less your vault rather than a server to power
24 anybody else anywhere else?

25 MR. EPSTEIN: Yes, yes. The systems

1 everything is interconnected. But again the only real way
2 to have certain types of things is servers that are not
3 connected to the Internet directly.

4 THE CHAIR: How do you anticipate
5 that this business will grow so that it would actually
6 affect employment?

7 MR. EPSTEIN: Because if things go as
8 I planned it will need a significant number of people,
9 hopefully, again, probably between five to ten years or
10 maybe more operate a virtual laboratory. So you need lots
11 of people. You need to watch and help the mathematicians.
12 It's accessing the computers and training people to operate
13 the systems.

14 As you know if you thought about it years ago, 20
15 years ago if we said we are going to have to program a
16 computer, it's impossible. I can't do it. I'm a pretty
17 good mathematicians. But now students coming up can program
18 things that were unthinkable years ago.

19 THE CHAIR: And the office space or
20 will there be an office space?

21 MR. EPSTEIN: Yes, sir.

22 THE CHAIR: It will be in St.
23 Thomas?

24 MR. EPSTEIN: Yes, sir.

25 THE CHAIR: But the server will be

1 on the level three establishment on St. Croix?

2 MR. EPSTEIN: Don't know yet.

3 THE CHAIR: Because I know I heard
4 you mention St. Croix and the access to the band. But you
5 are figuring you can tap in a fiber anywhere and get there?

6 MR. EPSTEIN: Yes. You want the
7 access. So that's really for the trading aspects.

8 It turns out -- and again it's an interesting
9 fact, that computers that trade, the algorithms that's a
10 different part of the business, the computers that trade it
11 makes a tremendous difference if you have fiber and high
12 speed fiber but not high speed fiber.

13 So just as a silly example there was a company in
14 New York that moved its offices three streets closer to the
15 stock exchange and paid millions of dollars to upgrade their
16 space so they can be three streets closer because then they
17 get an edge.

18 MR. SIMMONDS: Mr. Chair, if I might
19 follow-up on something that you asked?

20 THE CHAIR: Sure.

21 MR. SIMMONDS: So what then do you see
22 as the economic benefit to the territory?

23 MR. EPSTEIN: Well, obviously,
24 hopefully --

25 MR. SIMMONDS: I mean you are

1 suggesting that it will be at least five years, maybe even
2 longer before you start ramping up employment.

3 MR. EPSTEIN: I think there will be
4 revenues of a considerable number of millions of dollars at
5 the end of the fifth year. But the ramp up these are high
6 dollar revenue items to the company. So obviously in terms
7 of the taxes and in terms of employment.

8 MR. SIMMONDS: I'm sorry, taxes for the
9 five or so individuals that --

10 MR. EPSTEIN: No, no, the business
11 taxes.

12 MR. SIMMONDS: The business taxes?

13 MR. EPSTEIN: Yes, sir.

14 MR. SIMMONDS: But you are getting an
15 exemption.

16 MS. KELLERHALS: Right, but the
17 exemptions are only 90 percent on eligible income.

18 MR. SIMMONDS: So you are saying that
19 the 10 percent would be substantial for the territory?

20 MR. EPSTEIN: Yes. The answer is
21 "yes". And combined with employment it's a little down
22 side.

23 THE CHAIR: How was this --

24 MR. SIMMONDS: You are already a
25 resident of the Virgin Islands, right?

1 MR. EPSTEIN: Yes, sir. I also have
2 homes in New York and Florida. Most people prefer -- I
3 prefer to be down here. This is my favorite place to be.
4 It's a more difficult business environment but I prefer to
5 be here. I prefer to have my employees here. I've had a
6 very successful time here.

9 MR. EPSTEIN: What I was doing before
10 was really financial advice which is almost I don't want to
11 say antiquated but somewhat. You would come to me and say
12 what should I buy? And I'll use my judgment based on 30
13 years in the business of what you should buy. I didn't
14 really use computer search engines to find it. It's a very
15 different business. This is not financial advice. This is
16 the mathematics and the product of financial algorithms for
17 sale.

18 THE CHAIR: So you have clients that
19 have invested in this and these algorithms produce not
20 information but -- they do produce information but it
21 actually trades based on that information.

22 MR. EPSTEIN: That's correct.

23 THE CHAIR: The computer.

24 MR. EPSTEIN: Yes, the computer can
25 trade. And the client they can either buy its position in

1 the algorithm or can have advice but I prefer only the
2 algorithm. I don't want to do financial advice. This is
3 much more sophisticated.

4 THE CHAIR: When you say they buy a
5 position in the algorithm, you can invest in an algorithm?

6 MR. EPSTEIN: Yes. So if you go on,
7 for example, many trading sites you, yourself, can sign up
8 as a subscription and say I get the Albert Bryan newsletter.
9 When you think about that what was that? That was someone
10 who is willing to pay you a monthly fee for your personal
11 advice. Here we do the same thing except it's not a person.
12 It's a computer.

13 THE CHAIR: Why isn't this a Tech
14 Park business, though?

15 MS. KELLERHALS: We couldn't come to an
16 agreement with the Tech Park. So there is an understanding
17 that we could go to the EDC.

18 THE CHAIR: Because I was trying to
19 figure out if there was a distinctive difference because it
20 is a little different. It is an Internet provided service
21 but your core business is not really Internet.

22 MR. EPSTEIN: No, it's database.

23 THE CHAIR: It's data.

24 MR. EPSTEIN: Yes, data and it's
25 management.

1 THE CHAIR: Right, I go it.
2 MR. PENN: In the projections you
3 have two revenue lines, fee income and investment income.
4 It seems that -- is the fee income both the medical and the
5 financial?

6 MR. EPSTEIN: It's a mixture. Again
7 according to what the client wants to do, whether they want
8 to have a single -- you can invest, for example, in the
9 follow-up in only the bond algorithm. So you would then be
10 paying for your piece of a bond algorithm. If you wanted to
11 have more you would be fee for the entire business.

12 MR. PENN: I was just trying to get
13 a feel for how much of the business you estimated because
14 your estimate would have been medical versus financial.

15 MR. EPSTEIN: I think it will move. I
16 think it will start off being more financial because the
17 medical is much more sophisticated. But in terms of overall
18 sort of doing good thing, hopefully, I think the medical
19 area would be more exciting.

20 MR. PENN: And how many people
21 would you say would you need to do what you project for year
22 five? I'm not going to put numbers on the record but I see
23 nearly a doubling of your estimates between year one and
24 year five and I'm just trying to figure out --

25 MR. EPSTEIN: I wanted to be

1 conservative. If things go well we'll meet a lot of people.

2 MR. PENN: But I mean I guess with
3 the question you had before about the mix 50/50 --

4 MR. EPSTEIN: Yes.

5 MR. PENN: -- in year five what do
6 you project that to be to generate what you project even
7 though it's conservative? How many bodies are you
8 considering?

9 MR. EPSTEIN: Again I would like as
10 many as possible frankly. But the idea is how well will a
11 product this mechanism take. Especially because it's
12 medical you don't want to sell something before it's ready.
13 And once it's ready then there would be people in the
14 marketing department. There will be a bunch of other
15 things. So it's difficult to put a number on it.

16 MR. PENN: How do you market that?

17 MR. EPSTEIN: Well, for the medical
18 things through the drug companies as well as certain medical
19 NIH, the hospital divisions, the medical countries. Iceland
20 is one of the few countries -- and that's another discussion
21 at some point because Iceland is an isolated community and
22 they have 50 years of genetic information. So everyone in
23 Iceland has a genetic sequence and you can then see what's
24 happening, the children, what was really inherited. Is
25 breast cancer inherited, not inherited. Is schizophrenia by

1 simply looking at all the data that was accumulated?

2 Places, frankly, like St. Thomas are the perfect
3 place to sequence people because it's so isolated. You are
4 able to get much better data than ever before. And it also
5 ends up -- and that's one of the advantages of being here as
6 opposed to New York.

10 MR. EPSTEIN: No, ask.

11 THE CHAIR: I mean I would think
12 that you would have to have some DNA sampling of these
13 people going back for 50 years and 50 years ago we didn't
14 have that type of technology. So how do you -- I mean
15 people have died. How do you trace that? How do you do
16 sequencing of somebody who is no longer here?

17 MR. EPSTEIN: In Iceland they've kept
18 the sequencing. They started taking blood. So they have
19 kept blood samples from everyone. That was very forward
20 thinking. So they were simply able to get the sequence out
21 of the blood.

22 THE CHAIR: Got you. That was
23 confusing.

24 MR. EPSTEIN: Yes, it's 50 years of
25 data. It's the only country. It doesn't make them any

1 healthier at the moment but they have tremendous amounts of
2 data but almost no information.

3 THE CHAIR: Wow!

4 MR. EPSTEIN: Because now they have
5 300,000 people and all their ancestors. Now what do we do
6 with it?

7 It was the same problem when we had the human
8 geno. It was a book of three billion letters and it took
9 ten years to do and three billion dollars to do it, three
10 billion dollars to do it only ten years ago. That same
11 sequence you can now walk into your doctor and have it done
12 for \$65.00. You can sequence your entire geno for \$65.00.

13 MS. MADURO: I have one question for
14 Legal Counsel. So through the Chair may I ask my question
15 to Legal Counsel?

16 With respect to the fact that the Governor has
17 vetoed the proposed legislation, how will that impact us
18 inasmuch as we are in a public hearing and this board is
19 going to have to later decide moving this application
20 forward without the approved legislation?

21 MR. SMOCK: You'll have to remind me
22 which legislation are you talking about?

23 MS. MADURO: On the amount of
24 employees that the companies may have. Traditionally we
25 would approve an application with a minimum of 10 and move

1 forward in the event that the applicant cannot ramp up to 10
2 we would do a modification or a waiver of employees. But in
3 this instant we are going to start out knowing that we are
4 not going to have 10 employees.

5 MR. SMOCK: So we'll be dealing with
6 the old legislation.

7 THE CHAIR: But the law allows for
8 us to waive the employment in any case.

9 MR. SMOCK: If we wish.

10 THE CHAIR: For due cause only
11 because those employees are not needed.

12 MR. SMOCK: If we wish to.

13 MS. MADURO: True. But we
14 traditionally do it by coming back to public hearing. So in
15 the interest of time and because we now know that the
16 applicant is not intending to ramp up to that I think it
17 should be notated on the record so that we don't have to
18 come back in the event that the applicant is approved to a
19 waiver process or a modification process on it.

20 MR. SMOCK: I believe it's already a
21 part of the application.

22 THE CHAIR: How many more people are
23 doing this?

24 MR. EPSTEIN: There is a couple doing
25 it in California. Steve Jobs had a group that was trying to

1 help him and it was a little too short. They didn't get it
2 done in time but they were getting there. In fact the last
3 day of his life they thought they were able to sequence his
4 gene in a way and maybe find a useful drug and he had
5 enough. They said we think we can try a new one that's
6 specifically tailored for your specific problem and he said
7 I can't do this anymore. And then they had a big meeting.
8 They tried to convince him to try it and he said I'm done.

13 THE CHAIR: That's a big place.

14 MS. HILL: I'm sorry, where?

15 MR. EPSTEIN: United States. I had
16 hoped to get some from Europe just like engineers but it
17 turns out that they don't exist anymore and anybody in this
18 level of mathematics anywhere, they don't exist in China
19 because you need a bit of a creative person as opposed to
20 simply a copy cat. They don't exist in Europe. And if you
21 are really good you are already here. So the universities
22 usually.

23 THE CHAIR: So you already have one?

24 MR. EPSTEIN: I've had one.

25 THE CHAIR: And what was his profile

1 like?

2 MR. EPSTEIN: Harvard. It's usually
3 Harvard, MIT. But this is Harvard and he used to be at the
4 institute of advanced studies at Princeton.

5 THE CHAIR: So in your five-year
6 plan you are going to send some Virgin Islanders to Harvard?

7 MR. BRYAN: No, I want to train them
8 here.

9 THE CHAIR: How do you do that,
10 though?

11 MR. EPSTEIN: Because it's much -- you
12 have to start off thinking that, for example, Algebra is not
13 as important as it used to be. Programming is important.
14 And you don't have to -- in the old days you have to
15 actually poke holes in the card to program. And now the
16 younger people can have their little abortion (phon) do
17 things simply by typing in and raise the abortion
18 right-hand. You type it in and it already programs.

19 So advance programming is very different. It's
20 nothing -- I'm sure if you have children how they text, for
21 example, they speak in B2B, see you soon. You could ask me
22 five minutes ago how am I going to teach -- one of the
23 problems is how do you teach kids to talk because in fact
24 they are starting to talk as they text. So adults don't
25 understand it.

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1 THE CHAIR: Is that what it is?

MR. EPSTEIN: Yes.

3 THE CHAIR: So are you planning --

4 and I know you have contributed generously before. So are
5 you planning to do -- I know we have one applicant that
6 started our Junior Achievement Program and we have some
7 others that did a financial piece that seems to be
8 successful at Charlotte Amalie High. Junior Achievement ha
9 gone viral. It's all over the Virgin Islands now.

10 Are you going to do any programs to start to
11 build that type of interest and expose young people to that
12 kind of --

13 MR. EPSTEIN: I'm willing to do any of
14 those things. Again I come from a background where I had no
15 money and it was only by understanding math and science that
16 I was able to live the life I currently lead. So I would
17 love to do it.

18 THE CHAIR: Any other questions?

19 MR. EPSTEIN: I'll be more than happy
20 in some other forum to sit down and say fine. In fact in
21 some of the scholarship money that I have given before here
22 in St. Thomas was to try to find children to go to visit
23 Harvard, encourage them.

24 One of the things I did five years ago is I
25 brought a whole bunch of Noble Prize winners here to St. .

1 Thomas for lectures at the university again so kids can see
2 they don't have to be in the music business. Science is as
3 fun and exciting.

4 MR. SIMMONDS: One of our board members
5 is the Provost at UVI. So we certainly will have him get in
6 touch with you and see what kind of programs could be
7 developed in conjunction with UVI to train mathematicians.

8 MR. EPSTEIN: Not only mathematicians,
9 in fact it's a longer discussion. I'm willing to have as
10 many discussions anybody here would like to have on the
11 record, off the record. But that Apple computer sitting in
12 front of the Chairman has more teaching ability than all the
13 teachers in St. Thomas but people don't understand how to
14 use it yet still, not only here but most places because the
15 teacher unions don't like that idea.

16 There is something that I would always encourage
17 adults to do as I would encourage all children is something
18 that some people know about and some might not. It's called
19 the Khan Academy, K-h-a-n, Academy. Now if you haven't seen
20 it you should go on line. It teaches every subject you
21 learn in high school. You can watch it when you want. It's
22 simple. You don't feel embarrassed if you don't understand
23 it the first time because you can play it over and over
24 again. You can blog with other children or people your own
25 age to learn the same subject or maybe having the same

1 problems you have. I don't understand how miosis works or
2 mitosis in bio-medicine.

3 So I can blog now and say who else? Can someone
4 explain to me how the chromosome split and they get answers.
5 So, yes, it's a tremendous amount of things to be done.

6 THE CHAIR: You know we were having
7 that discussion the other day and that's a serious shift
8 now. Because the most important thing is teaching kids how
9 to learn on the Internet because all of the information is
10 already there. They don't need to sit. Florida has this
11 future school I think it's called Florida Virtual School.
12 And they have their whole high school curriculum on line for
13 anybody in the nation to go on and do it. But in the Virgin
14 Islands like Iceland we are in the middle of nowhere.

15 MR. EPSTEIN: You see that's sort of
16 insensibly the same thinking I grew up with. But the middle
17 of nowhere just like Africa you have an Apple computer
18 sitting on the Internet. So in fact you are not in the
19 middle of nowhere. You are in the middle of everything.
20 You are in the middle of everything. You just have to
21 understand how to use this thing. And it's not taught in
22 the school.

23 And not only are the computers now used to say so
24 you can learn Algebra but it turns out -- and if again let's
25 look ten years down the road if I'm successful it turns out

1 that with 14 people in the room everyone has a different
2 learning skill and they learn differently. Some people are
3 very visual. Once they see a motorcycle part they can put
4 it together. I can't. Some people need to hear it verbally
5 because they learn verbally. Some people learn visually.
6 Some people have a combination of the two.

7 If you go back 500 years there was not one person
8 that sat in the classroom and said to the people in the
9 field sit in here and let me lecture you and don't move
10 while I do it. In fact as I described it the thing that
11 everyone learns to do and really learns well is to walk and
12 no one taught them. No one taught you to walk.

13 THE CHAIR: So what you are
14 suggesting is in 10 years we may be able to have a -- your
15 same product that would be able to take a genetic code of
16 how somebody is, figure out what is the best way for them to
17 learn and put it on the Internet for them?

18 MR. EPSTEIN: I don't want to say --
19 that's pushing it but yes. It's the Frankenstein version
20 but it's true, yes. In fact it will turn out that certain
21 people can learn certain things. Certain people can move
22 through space differently.

23 So your skill set if you think about it the
24 questions that people ask are questions they have to find
25 the right person to ask. You want to find the best doctor.

1 If you got sick and I got sick we go to the best doctor.
2 The best doctor for a 100 percent likelihood is
3 connected on that machine somehow. So how can you find that
4 person in the right place that's connected with that
5 information? It's really exciting.

6 THE CHAIR: That is.

7 MR. EPSTEIN: Yes, but things like the
8 Khan Academy you don't need -- if you want to learn
9 mathematics you don't really need to go to high school.

10 THE CHAIR: So why can't we fix the
11 LEAC, man, if we can do all of that?

12 Anymore questions?

13 MR. SMOCK: Mr. Chairman, for the
14 record to follow-up on Commissioner Millin's question and
15 comments, this application did request fewer than 10
16 persons. But Section 708 of Title 29 Subsection F does
17 provide for the record that:

18

19 To be eligible for the granting of
20 benefits you must employ at least
21 10 persons on a full-time basis.

22 And such enterprise and all employees
23 and such enterprise shall be subject
24 to the exceptions contained in Section
25 711 of this subchapter be residents

1 of the United States Virgin Islands
2 provided however that the applicant may
3 employ fewer than 10 such persons upon
4 demonstrating to the Commission that the
5 employment of this number of persons in
6 his particular enterprise would not be
7 economically feasible or practical. And
8 upon a further finding by the Commission
9 that the desirability of the proposed
10 enterprise outweighs the fact that it is
11 not labor intensive.

12
13 I believe this application also ask for a
14 residency reduction also. But it is permitted under the
15 code if this commission so finds.

16 MS. HILL: And if I may, Mr.
17 Chairman, the amendment to the legislation to reduce the
18 five, we have submitted to Senator Malone the appropriate
19 wording. And my understanding is that that amendment is to
20 be dealt with on Monday by the Committee of the Whole to
21 address the EDC requirements. So we should be okay.

22 THE CHAIR: Fantastic. Maybe we
23 don't have to do anything.

24 Anymore questions?

25 (No Response)

1 THE CHAIR: Thank you.

2 MS. KELLERHALS: Thank you.

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